

VZCZCXYZ0001
PP RUEHWEB

DE RUEHTV #2808/01 2631309
ZNY CCCCC ZZH
P 201309Z SEP 07
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC PRIORITY 3346
INFO RUEHAM/AMEMBASSY AMMAN PRIORITY 2850
RUEHLB/AMEMBASSY BEIRUT PRIORITY 2788
RUEHEG/AMEMBASSY CAIRO PRIORITY 0798
RUEHJM/AMCONSUL JERUSALEM PRIORITY 7963
RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L TEL AVIV 002808

SIPDIS

SIPDIS

PLEASE PASS TO TREASURY FOR DAS DANIEL GLASER.

E.O. 12958: DECL: 09/12/2017

TAGS: [EFIN](#) [KTFN](#) [KCRM](#) [KWBG](#) [EAID](#) [IS](#)

SUBJECT: TREASURY, GOI DISCUSS SUPPORT FOR SHARING OF
INFORMATION RELATED TO ILLICIT FINANCE WITH PALESTINIANS

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b/d)

¶1. (C) SUMMARY: A delegation from the Treasury Department's Office of Terrorist Financing and Financial Crimes (OTFFC), led by Deputy Assistant Secretary Daniel Glaser, met September 10-11 with an inter-agency Government of Israel (GOI) group to follow up on a GOI request to restart discussions on an earlier initiative to improve anti-money laundering and combating the financing of terrorism (AML/CFT) cooperation between the GOI and Palestinian Authority (PA). The GOI believes that the establishment of a strong Terrorist Financing (TF) legal framework to combat terrorist financing, a robust financial intelligence unit (FIU), and - most importantly - an effective PA enforcement capability, are prerequisites before broader GOI-PA cooperation on illicit finance can be considered. The GOI strongly supports technical assistance to the Palestinian FIU (and even offered to provide behind-the-scenes support), but believes that the international community - in particular, the United States - needs to take the lead. The GOI emphasizes that a requirement to meet certain AML/CFT benchmarks should be part of the international donor agreements with the PA in Fall 2007. Despite some legal wrangling over the absence of specific terrorist financing laws in the PA, it is clear that the GOI's primary concern is enforcement against terrorism financing and not the specific administrative nature of a Palestinian FIU. END SUMMARY.

Background

¶2. (C) Glaser began by recounting that discussion to improve GOI-PA cooperation on illicit financing began in the winter of 2004 in the aftermath of an Israeli raid on Palestinian banks in Ramallah. At that time, Treasury and the GOI began discussing the potential for creating a mechanism to facilitate information sharing with the PA that would obviate or diminish the GOI's perceived need for engaging in military operations against PA financial institutions. Part of this initiative consisted of the provision of technical assistance to the Palestine Monetary Authority to enable it to develop an FIU capable of receiving information related to illicit financial activity, and, in coordination with relevant authorities, take appropriate enforcement action. The project was ultimately delayed due to the Hamas parliamentary election victory and the subsequent national unity government with Fatah. With the Hamas takeover of Gaza and the renewal of relations with the Fayyad-led government, however, Glaser said the GOI had approached several USG officials in the

hopes of restarting the project.

Concerns Regarding Palestinian Legislation

13. (C) Paul Landes, of the Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) at the Ministry of Justice (MOJ), expressed concern that draft anti-money laundering legislation recently passed by the Palestinian Parliament does not include specific mention of terrorist financing. Landes wondered on what legal basis the PA could pursue terrorist finance crimes without a specific law to that effect, and how IMPA could cooperate with the FIU without a legal framework? Glaser said that the version of the law he had seen, developed with assistance from the International Monetary Fund (IMF), was largely in compliance with international standards with respect to money laundering, but did not address terrorism finance.

GOI: Enforcement is What Matters

14. (C) After some discussion of the matter, Udi Nulman of the Israeli Security Agency (ISA) made clear that the GOI's real concern was with enforcement. Nulman said Fayyad and Abbas took a strong first step in declaring their intention to target terrorist financing. Passing the law is the next step, said Nulman, followed by capacity building, enforcement, information collection and sharing. Glaser agreed that the will to act was most important, noting that the law and the creation of a FIU serve as a useful starting point, but that cooperation and information sharing can occur

at any stage. Eyal Paskovitch of the National Security Council (NSC) said that the goal is to create an FIU that also has authority over Gaza, although he was skeptical about how this would operate in practice. Nevertheless, Paskovitch said that most Palestinian banks are more than willing to cooperate with a FIU.

15. (C) Nulman used the recent PA action against 103 charities in the West Bank and Gaza as an example of the PA's lack of commitment to, and enforcement of, a strong AML/CFT regime. According to Nulman, most of the charities are unrecognizable to the Israelis, and Nulman speculated that many exist "in name only." Nulman added that the Israelis have not noticed any visible impact on Hamas after Fayyad's decision to close these charities. Paskovitch added that there were reports that Fayyad had taken additional action against 17 other charities, but their names were not yet published.

Tangible Steps for Building the FIU

16. (C) Landes suggested several possible areas for Palestinian-Israeli cooperation, including the exchange of information on trade-based terrorist financing, suspicious transaction reports, and freezing terrorist bank accounts. Landes said the GOI could offer technical assistance and share information technology, but that the GOI should not be viewed as taking the lead on any assistance project. Nulman suggested that a first step for the FIU could be to collect the same reports on suspicious transactions that the Palestinian banks submit to their Israeli correspondent partners. The most important factor, said Glaser, is that the PA own the process and that it not be imposed from outside. He added that Treasury would cooperate closely with the IMF and USAID, both of which have done preliminary work on the issue.

17. (C) Irit Ben-Aba, Deputy Director General for Economic Affairs at the Ministry of Foreign Affairs (MFA), said the GOI recommends utilizing the upcoming international donor fora (e.g. the September 25 International Ad Hoc Liaison Committee meeting, and December Donor Group Meeting) to link

financial assistance to the PA with the establishment of clear AML/CFT and regulatory benchmarks. Ben-Aba said that advances towards a Palestinian FIU with clear benchmarks would help reassure donors and financial institutions that their money will end up in the right place. The GOI offered to provide Treasury with a paper in the near future outlining specific benchmarks for the FIU with a relevant timeline.

PALESTINIAN ISLAMIC BANK

¶8. (C) The Israelis passed a paper on the Palestinian Islamic Bank (PIB) and raised concern of its support of Hamas. Specifically, the Israelis allege that the bank holds funds for Hamas and has transferred funds on Hamas's behalf. They also allege that the PIB has a correspondent relationship with JP Morgan Chase and asked the USG to talk with them about terminating the relationship. On other banking matters, the Israelis stated that the Islamic Qatari Bank was looking to open a branch in Gaza.

¶9. (U) Israeli participants: Ambassador Miriam Ziv, Deputy Director General for Strategic Affairs, MFA; Irit Ben-Aba, Deputy Director General for Economic Affairs, MFA; Yael Winner, International Affairs, MOJ; Paul Landes, Legal Counsel, IMPA, MOJ; Udi Nulman, ISA; Oren Drisen, ISA; Michal Finkelstein, MOF; Eyal Paskovitch, NSC; Meir Malka, IDF; Ariel Shafranksy, Deputy Director, Counter Terrorism, MFA; Dan Arbel, Director, North America Department, MFA; Oded Yossef, Director, Coordination Department, MFA. U.S. participants: Daniel Glaser, DAS, OTFFC; Brian Grant, Director of Global Affairs, OTFFC; Daniel Harris, Policy Advisor, OTFFC; Jason Witow, Acting Economic Counselor; Noah Siegel, Economic Officer.

¶10. (U) Deputy Assistant Secretary Glaser cleared this cable.

Visit Embassy Tel Aviv's Classified Website:
<http://www.state.sgov.gov/p/nea/telaviv>

You can also access this site through the State Department's Classified SIPRNET website.

JONES